and the people were found to be so accustomed to a paper currency that little demand was made for gold and many persons who had hoarded gold presented it for exchange in bank-notes.

Cash payments were not yet established by law, however, and the restriction had been continued, after Napoleon's return from Elba, until July, 1818. The return of peace brought a great many foreign borrowers to England. Prussia, Austria, and other states were endeavoring to obtain gold to reform their currencies. The result was a heavy drain upon the gold reserve, which had reached ^"11,914,000 in October, 1817, and the reappearance of a premium upon coin and bullion.[1] Advances to the government were increased from ,£20,000,000 to ^28,000,000 and the bank made no effort to restrict their issues, in the face of the foreign drain and a new increase in the circulation of the country banks. It was perfectly evident that specie payments could not long be maintained with the paper price of gold at ^4 35., or about seven per cent, premium, and committees were appointed on February 3, 1819, by both houses of Parliament to inquire into the state of the bank. They reported in favor of a further suspension of specie payments and a bill for the purpose became law on April

[1] The question was much discussed by the orthodox believers of the classical school of political economy, why prices of commodities did not fall with the export of gold and invite foreign purchasers of English merchandise. As Prof. Sumner puts it *(History of American Currency,* 264), " If all nations used specie, or even paper and specie, in only due proportion it would be as impossible for one nation to be drained of specie as for New York harbor to be drained of water by the tide." But all nations do not use specie only, but credit, and modern experience has demonstrated that prices do not move up and down with gold exports and imports, but under the operation of much wider causes in the credit market. The Bank of England did not employ at this time the method of protecting its cash by raising the rate of discount, and the orthodox theory of price movements was of no practical avail against the operation of special causes which drew off gold. See an outline of the discussion in *Money,* by Francis A. Walker, 356-58.